

**UMHLABUYALINGANA UMASIPALA WASEKHAYA**  
**UMHLABUYALINGANA LOCAL MUNICIPALITY**

**FINANCIAL STATEMENTS FOR**  
**THE YEAR ENDED 30 JUNE 2010**

**UMHLABUYALINGANA LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

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**UMHLABUYALINGANA LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**GENERAL INFORMATION**

Speaker           Clr. L.E. Ngubane

Mayor             Clr. D.A. Ncube

Deputy Mayor    Clr. T. Mthembu

Exco Members  
                    Clr. T.S. Mkhombo  
                    Clr. N.R. Mthethwa  
                    Clr. M.S. Mabika

**Grading of Municipality**

Midium Capacity Municipality

**Auditors**

The Auditor-General  
Private Bag X9034  
PIETERMARITZBURG  
3200

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**GENERAL INFORMATION (continued)**

**Bankers**

First National Bank of South Africa

**Registered office**

Private Bag X 901 Tel: (035) 592 0680  
Kwangwanase Fax: (035) 592 0772  
3973

**Acting Municipal Manager**

Mr. M. M Ngubane

**Acting Chief Financial Officer**

Mr N.P.E Myeni

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**UMHLABUYALINGANA LOCAL MUNICIPALITY**

**REPORT OF THE AUDITOR-GENERAL**

**30 JUNE 2010**

The report of the Auditor-General will be inserted after the audit.

## **STATEMENT OF THE MUNICIPAL MANAGERS RESPONSIBILITY**

### **UMHLABUYALINGANA LOCAL MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

The Umhlabuyalingana Municipality is situated Main Street, Manguzi is a category C Municipality established in terms of section 12 (1) of the Municipal Structures Act, No.117 of 1998 and published in terms of Provincial Government Notice 346 on the 19 September 2000. The Local Government Operations of the Municipality are assigned by section 156 and 229 of the South African Constitution and defined specifically in terms of section 83 of the Municipal Structures Act.

I am responsible for the preparation of these financial statements, which are set out on page 1 to 37 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed on note 19 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the remuneration of the Public Office Bearers and the Minister of Provincial and Local Government's determination in accordance with this act.

.....  
**Mr. M.M. Ngubane**  
**Acting Municipal Manager**

**31 August 2010**  
**Date**

**UMHLABUYALINGANA MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ended 30 June 2009

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost. These standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statement
GRAP 3	Accounting Policies , Changes in Accounting
GRAP 4	The Effects of Changes in Foreign Exchange
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and
GRAP 100	Non-current Assets Held for Sale and
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009 so as the provision in circular 18 of 2005 issued by national treasury, the municipality will be full compliant with GRAP standards in 30 June 2011. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions have been granted are disclosed below.

## 1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

## 1.3 GOING CONCERN ASSUMPTION

The future of the municipality is uncertain.

## 1.4 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting - issued March 2005
GRAP 21	Impairment of Non-Cash-generating-assets -
GRAP 23	Revenue from Non-Exchange Transactions -
GRAP 24	Presentation of Budget Information - issued
GRAP 26	Impairment of Cash-generating-assets -
GRAP 103	Heritage Assets - issued July 2008
IAS 19	Employee Benefits - effective 1 January 2009
IFRIC 17	Distribution of Non-cash Assets to Owners -

## 2 PROPERTY, PLANT AND EQUIPMENT

### 2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

## 2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. **Land** is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

## 2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Infrastructure Assets</b>		<b>Other Assets</b>	
Roads and Paving	30 years	Buildings	30 years
Stormwater Drainage	20 years	Specialist vehicles	10 years
<b>Community Assets</b>		Other vehicles	5 years
Buildings	30 years	Office equipment	3-7 years
Recreational Facility	20-30 years	Furniture and fittings	7-10 years
Security	5 years	Bins and containers	5 years
Community Halls	30 years	Specialised plant and equipment	10-15 years
Libraries	30 years	Landfill sites	15 years
Parks and gardens	10 years	Computer equipment	3 years
<b>Finance Lease Assets</b>			
Office equipment	4 years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of property, plant and equipment as set out in paragraph 73 to 83.

## 2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.



### 3 INTANGIBLE ASSETS

#### 3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### 3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### 3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of Intangible Assets as set out in paragraph 110 to 118..

#### 3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **4 INVESTMENT PROPERTY**

##### **4.1 INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

##### **4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

#### **5 NON-CURRENT ASSETS HELD FOR SALE**

##### **5.1 INITIAL RECOGNITION**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

##### **5.2 SUBSEQUENT MEASUREMENT**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

## **6 FINANCIAL INSTRUMENTS**

### **6.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

### **6.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### **6.2.1 INVESTMENTS**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are

#### **6.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### **6.2.3 FINANCIAL LIABILITIES: ACCOUNTS PAYABLE**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### **6.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**7 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the

**8 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998), Division of Revenue Act of 2008 or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is

**9 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**10 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned;- the principal locations affected - the location, function, and approximate number of employees who will be compensated for terminating their services;
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## **11 LEASES**

### **11 MUNICIPALITY AS LESSEE**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

### **11 MUNICIPALITY AS LESSOR**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate

## **12 REVENUE**

### **12 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

## **12 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

## **12 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## **13 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

## **14 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and Councilors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

**15      IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## 16 RESERVES

### 16.1. Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

### 16.1.2

### 16.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

### 17 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

## 18 TRANSITIONAL PROVISIONS

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements - paragraphs
GRAP 9	Revenue from Exchange Transactions -
GRAP 12	Inventories - paragraphs 45-52
GRAP 13	Leases - paragraphs 55-60
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent
GRAP 102	Intangible Assets - paragraph 110-118



Umhlabuyalingana Local Municipality

Statement of financial position as at 30 June 2010

	Note	2010	2009
		R	R
<b>Assets</b>			
<b>Non-current assets</b>		<b>71 652 496</b>	<b>51 907 286</b>
Property, plant and equipment	<a href="#">4</a>	71 100 024	51 343 172
Intangible		552 472	564 114
Investments		0	0
Non-current receivables	<a href="#">5</a>	0	0
<b>Current assets</b>		<b>9 707 746</b>	<b>1 470 004</b>
Inventories		0	0
Trade and other receivables	<a href="#">8</a>	1 314 936	1 383 325
Vat Receivable			
Cash and cash equivalents	<a href="#">9</a>	8 392 809	86 680
<b>Total assets</b>		<b>81 360 241</b>	<b>53 377 290</b>
<b>Net assets and liabilities</b>			
<b>Net assets</b>		<b>64 786 820</b>	<b>42 534 657</b>
Accumulated surplus		64 786 820	42 534 657
Revaluation reserve		-	-
<b>Non-current liabilities</b>		<b>660 415</b>	-
Interest-bearing borrowings	<a href="#">12.1</a>	660 415	-
Non-current provisions		-	-
<b>Current liabilities</b>		<b>15 913 006</b>	<b>10 842 637</b>
Trade and other payables	<a href="#">12</a>	4 367 566	1 656 909
Unspent Conditional Grants	<a href="#">13</a>	6 047 892	7 634 898
Provisions	<a href="#">14</a>	5 497 548	617 804
Bank overdraft	<a href="#">15</a>	0	933 026
<b>Total net assets and liabilities</b>		<b>81 360 241</b>	<b>53 377 294</b>

**Umhlabuyalingana Local Municipality**
**Statement of financial performance for the year ended**

	Note	2010	2009
		R	R
<b>Revenue</b>			
Property rates		-	-
Service charges		-	-
Interest earned-Investment and Main bank	<a href="#">2</a>	275 486	148 602
Donations received		-	-
Fines, licences and permits	<a href="#">3</a>	1 293 959	425 961
Government grants and subsidies	<a href="#">16</a>	53 197 002	33 327 697
Other revenue		175 005	95 892
Rental revenue	<a href="#">1</a>	52 964	50 775
		-	-
<b>Total Revenue (A)</b>		<b>54 994 416</b>	<b>34 048 927</b>
<b>Expenditure (classified by nature)</b>			
Employee related costs	<a href="#">10</a>	10 337 924	9 855 832
Councillor remunerations	<a href="#">10</a>	4 468 906	4 538 324
Depreciation		914 457	1 062 865
Repairs and maintenance		5 852 591	1 441 906
Leave provision adjustment		-	172 367
Interest paid		-	2 692
Administration and other expenses		11 259 544	12 868 808
Loss on the disposal of property, plant and equipment		-	106 420
		-	-
<b>Total Expenditure (B)</b>		<b>32 833 422</b>	<b>30 049 213</b>
<b>Surplus/(Deficit) for the year (A-B)</b>		<b>22 160 994</b>	<b>3 999 714</b>

UMHLABUYALNGANA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 2010						
	Donations and public contribution reserves	Government Grant reserve	Capitalisation Reserves	Accumulated surplus/(deficit)	Revaluation reserve	Total
<b>Balance at 30 June 2009</b>	<b>15 038 057</b>	<b>19 159 256</b>	<b>11 664 840</b>	<b>(7 136 824)</b>	-	38 725 329
Surplus for the year	-	-	-	3 999 714	-	3 999 714
Grants used to purchase PPE	-	6 441 935	976 034	(7 417 969)	-	-
Offsetting depreciation	-	-	(1 062 865)	1 062 865	-	-
Asset disposal	-	-	(309 970)	309 970	-	-
Prior year adjustment	-	-	-	(190 390)	-	-
<b>Balance at 30 June 2009</b>	<b>15 038 057</b>	<b>25 601 191</b>	<b>11 268 039</b>	<b>(9 372 634)</b>	-	<b>42 534 653</b>
Surplus for the year	-	-	-	22 160 994	-	22 160 994
Grants used to purchase PPE	-	-	372 268	(20 659 667)	-	-
		(6 661)	(907 796)	914 457	-	-
Offsetting Depreciation	-	-	-	-	-	-
Donations and Public, Government grant and Capitalisation	(15 038 057)	(25 594 530)	(10 732 510)	51 365 097	-	-
Reserve Transfer to Accumulated Surplus	-	-	-	-	-	-
Asset disposal	-	-	-	-	-	-
Prior year Adjustment	-	-	-	91 173	-	91 173
	-	-	-	<b>44 499 420</b>	-	<b>64 786 820</b>

**UMHLABUYALNGANA LOCAL MUNICIPALITY**
**Cash flow statement for the year ended 30 June 2010**

	Note	R	R
		2010	2009
<b>Cash flow from operating activities</b>			
Cash received from consumers, government and other		54 994 416	35 118 237
Cash paid to suppliers and employees		(31 466 571)	(27 840 325)
<b>Cash generated from operations</b>	<b>17</b>	<b>24 442 302</b>	<b>7 277 912</b>
Dividends received		-	-
Interest received		(275 486)	148 602
Interest paid		-	(2 692)
<b>Net cash flow from operating activities</b>		<b>24 166 817</b>	<b>7 423 822</b>
<b>Cash flow from investing activities</b>			
Additions to property, plant and equipment	<b>4</b>	(21 716 321)	(7 417 969)
Proceeds on disposal of property, plant and equipment	<b>4</b>	-	-
Additions to investment property		-	-
Increase in investments		7 449 074	-
Increase in non-current receivables		-	-
Decrease in call investment deposits		-	-
<b>Net cash flow from investing activities</b>		<b>(14 267 247)</b>	<b>(7 417 969)</b>
<b>Cash flow from financing activities</b>			
Non-current liabilities raised		(660 415)	-
Decrease in short-term loans		-	-
<b>Net cash flow from financing activities</b>		<b>(660 415)</b>	<b>-</b>
<b>Net cash flows for the year</b>		<b>9 239 155</b>	<b>209 403</b>
Cash and cash equivalents beginning of year		(846 346)	(1 055 749)
<b>Cash and cash equivalents end of year</b>	<b>9</b>	<b>8 392 809</b>	<b>(846 346)</b>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
<b>01 Rental Revenue</b>		
IEC	18 964	24 775
Park Homes	19 000	26 000
Boston Ink	15 000	-
	<b>52 964</b>	<b>50 775</b>
<b>02 Interest Earned</b>		
Interest received	275 486	148 602
	<b>275 486</b>	<b>148 602</b>
<b>03 Traffic Income</b>		
Traffic Fines	47 600	26 150
Licencing	1 246 359	399 811
	<b>1 293 959</b>	<b>425 961</b>

**04 Property Plant and Equipment**

**Year ended 30 June 2010**

	Land and buildings	Infrastructure	Vehicles	Plant Equipment	& Total
Cost at the beginning of the year	10 606 752	39 580 758	807 203	3 306 868	54 301 581
Accumulated Depreciation	(1 947 569)	-	(392 442)	(1 676 889)	(4 016 900)
<b>Carrying amount at beginning of year</b>	<b>8 659 182</b>	<b>39 580 758</b>	<b>414 761</b>	<b>1 629 980</b>	<b>50 284 681</b>
Acquisitions 08/09	323 760	942 990	-	94 640	1 361 390
Capital Under Construction ( WIP )	13 309 039	7 045 892	-	-	20 354 931
Disposals	-	-	-	-	-
Depreciation charge	(322 651)	-	(145 263)	(433 064)	(900 978)
<b>Carrying amount at end of year</b>	<b>21 969 331</b>	<b>47 569 639</b>	<b>269 498</b>	<b>1 291 555</b>	<b>71 100 024</b>
<b>At 30 June 2010</b>					
<b>Carrying amount</b>	<b>21 969 331</b>	<b>47 569 639</b>	<b>269 498</b>	<b>1 291 555</b>	<b>71 100 024</b>
Cost at the end of the year	24 239 551	47 569 639	807 203	3 401 508	76 017 901
Accumulated depreciation	(2 270 220)	-	(537 705)	(2 109 953)	(4 917 878)
<b>Disposal Analysis</b>					
Cost	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-
<b>Carrying Value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

UMLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 ( Continued )

	2010	2 009
<b>05 Non-current receivables</b>		
Staff Vehicle Loans	-	-
Less short term portion of long term debtors	-	-
	<u>-</u>	<u>-</u>
<b>06 Inventory</b>		
Consumable stores – at cost	-	-
Maintenance materials – at cost	-	-
Spare parts – at net realisable value	-	-
<b>Total Inventory</b>	<u>-</u>	<u>-</u>
<b>07 Investments</b>		
Call account - FNB ( Rate of return 1% - 10% )	845 604	1 040
Money Market - FNB ( Rate of return 2.8% - 8.9% )	1 105 338	16 285
32 Days Notice - FNB ( Rate of return 2% - 10% )	-	51 498
32 Days Notice - Standard ( Rate of return 2% - 10% )	14 444	13 888
32 Days Notice - Ned Bank (Rate of return 2% - 6.250%)	22 899	-
Money Market - FNB ( Rate of return 2.8% - 8.9% )	5 547 470	-
	<u><b>7 535 754</b></u>	<u><b>82 711</b></u>
	7 453 044	
<b>08 Trade &amp; Other Receivables</b>		
UMkhanyakude District Municipality	-	-
Overpayments ( councillors cellphone)	-	19 750
Vat	1 308 584	293 706
MIG	-	1 117 202
Accrued income	6 352	9 413
	<u><b>1 314 936</b></u>	<u><b>1 440 071</b></u>
Less Provision for Bad debt	-	(56 746)
<b>Total current debtors</b>	<u><b>1 314 936</b></u>	<u><b>1 383 325</b></u>
<b>09 Cash and cash equivalents</b>		
Petty cash	342	3 969
Current Account: First National Bank-Hluhluwe Branch	856 713	-
Call Accounts: First National Bank - Hluhluwe Branch	845 604	1 040
Money Market:First National Bank-Hluhluwe Branch	1 105 338	16 285
32 Days Notice: First National Bank-Hluhluwe Branch	-	51 498
: Standard Bank - Empangeni Branch	14 444	13 888
: Ned Bank - Richards Bay Branch	22 899	-
Money Market:First National Bank-Hluhluwe Branch	5 547 470	-
	<u><b>8 392 809</b></u>	<u><b>86 680</b></u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 ( Continued )

	2010	2009
<b>10 Remuneration of Councillor's and Administration</b>		
Mayor's Allowance	277 097	272 735
Deputy Mayor's allowance	223 672	208 074
Speaker's allowance	223 672	208 074
Exco allowance	630 945	645 141
Councillors allowance	3 113 520	3 204 299
<b>Total</b>	<b>4 468 906</b>	<b>4 538 323</b>

Employee related costs: Salaries and Wages	9 030 948	6 369 687
Employee related costs: Contribution for UIF,Pension and Medical aid	764 041	188 302
Travel, Motor Car, Accommodation,Subsistanc and other allowances	600 939	767 760
Overtimes	55 185	53 756
13th Cheque Bonus	487 750	432 251
Less employee costs included in other expenses	(600 939)	(767 760)
<b>Total Employee Related Costs</b>	<b>10 337 924</b>	<b>7 043 996</b>

<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	508 364	554 579
Performance Bonus	-	-
Car Allowance	-	-
Cellphone Allowance	13 600	20 400
Contribution to UIF, Medical and Pension Fund	4 388	17 968
<b>Total</b>	<b>526 352</b>	<b>592 947</b>

<b>Remuneration of the Chief Financial Officer</b>		
Annual Remuneration	249 565	499 130
Performance Bonus	-	-
Car Allowance	-	-
Cellphone Allowance	6 600	13 200
Contribution to UIF, Medical and Pension Fund	2 872	1 497
<b>Total</b>	<b>259 037</b>	<b>513 827</b>

Remuneration for Executive Manager's

	HOD Corporate Services	HOD Community Services	HOD-Technical Services	HOD LED
<b>30 June 2009</b>				
Annual Remuneration	426 226	448 659	425 600	448 659
Performance Bonuses	-	-	-	-
Car Allowances	-	-	-	-
Cellphone Allowance	13 200	13 200	13 200	13 200
Contribution to Medical, UIF and Pension Fund	1 497	1 497	1 497	1 497
<b>Total</b>	<b>440 923</b>	<b>463 356</b>	<b>440 297</b>	<b>463 356</b>

	HOD Corporate Services	HOD Community Services	HOD Technical Services	HOD-LED
<b>30 June 2010</b>				
Annual Remuneration	436 882	459 876	254 651	273 172
Performance Bonuses	-	-	-	-
Car Allowances	-	-	-	-
Cellphone Allowance	13 200	13 200	13 200	7 700
Contribution to Medical, UIF and Pension Fund	5 476	5 434	1 957	3 123
<b>Total</b>	<b>455 558</b>	<b>478 510</b>	<b>269 808</b>	<b>283 995</b>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 ( Continued )

	2010	2009
<b>12 Trade &amp; Other Payables</b>		
Trade creditors	2 418 718	978 517
Short term portion of long term liabilities	1 320 830	-
Jozini Municipality	526 232	-
Accrued expenses	101 787	678 392
	<b>4 367 566</b>	<b>1 656 909</b>
<b>12.1 Long Term Liability</b>		
UDC 27	1 981 245	-
Short Term Portion of long term liabilities	(1 320 830)	-
	<b>660 415</b>	<b>-</b>
<b>13 Unspent Conditional Grants</b>		
Proclamation Grant	-	-
Geog. Ins Sys Grant	-	-
Land Use Mgmt Sys Gr	100 000	100 000
FMG	1 512 124	585 735
Rate Implementation Grant	-	-
Project Consolidate	213 345	213 345
Investment Planning	-	-
MIG	58 697	-
Urban Development	907 195	1 382 195
DBSA	-	213 413
Library Subsidy	22 500	19 725
Nhlange Lake Resturant	5 600	5 600
Manzengwenya cultural project	7 500	7 500
Phelandaba Development	364 600	150 000
MSIG	124 622	43 275
Kwa - Tembe Concrete project	86 111	86 111
Project Consolidate Manguzi Roads	665 669	3 300 000
Spatial Planning	43 000	43 000
MAP	758 263	950 000
DC 27 Shared Service	208 680	-
Sport Ground	809 668	375 000
Mbazwana & Manguzi as Business Hubs	160 000	160 000
	<b>6 047 973.53</b>	<b>7 634 897.96</b>
<b>14 PROVISIONS</b>		
Landfill site	5 053 000.00	-
Staff leave	444 547.98	617 804.01
	<b>5 497 547.98</b>	<b>617 804.01</b>
<b>15 BANK OVERDRAFT</b>		
Primary bank account: First National Bank - Hluhluwe	-	933 025.63



UHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 ( Continued )

	2010	2009
<b>16 Government Grants and Subsidies</b>		
Equitable Share	29 184 792	22 196 390
MIG	18 631 102	6 271 152
Project Consolidate ( Khophimbazo )	-	1 072 655
FMG	813 611	282 281
MSG	653 653	691 725
GIS	-	-
Proclamation Grant	-	-
LUMS	-	-
MPRA	-	346 000
IDP	-	-
Gijima Funds	-	-
Induction and training	-	-
Investment Planning	-	-
Urban Development	-	592 805
DBSA - Director Technical	213 413	456 587
Library Grant	87 225	59 175
Manzengwenya Project	-	172 500
Phelandaba Development	308 506	-
Nhlanga Lake Restaurant	-	174 400
Kwa-Tembe Concrete Project	-	93 890
MAP	191 737	-
Project Consolidated Manguzi Roads	2 634 331	-
Spatial Planning	-	57 000
Mabaso Housing	-	647 862
Sports Department ( Sport Ground )	478 632	-
Mbazwana & Manguzi Hubs	-	213 275
	<b>53 197 002</b>	<b>33 327 697</b>

<b>17 CASH GENERATED FROM OPERATIONS</b>		
Surplus or (deficit) for the year	22 160 994	3 999 714.0
Adjusted for:-		
Leave Provision	(151 436)	172 367
Public Contributions and Donations	-	-
Interest income	(275 486)	(148 602)
Interest expense	-	2 692
Prior year adjustment	91 173	190 391
Government grants and subsidies	(53 197 002)	(33 327 697)
Vat written off	-	1 320 811
Loss on Disposal	-	106 420
Depreciation	914 457	1 062 865
Government grants and subsidies received	51 912 279	32 273 527
	21 454 979	5 652 487
Changes in working capital	2 987 323	1 625 425
Decrease in long term debtors		-
(Increase)/Decrease in debtors-VAT	(1 014 878)	2 244 210
Decrease/(Increase) in debtors-other	1 140 018	(162 519)
Increase in provisions- performance bonuses	-	(185 827)
- Staff Leave	151 436	172 367
Decrease/(Increase) in creditors	3 287 353	344 967
Increase/(Decrease) in accrued expenses	(576 606)	(787 773)
	<b>24 442 302</b>	<b>7 277 912</b>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 ( Continued )

	2010	2009
<b>18</b> Provision for rehabilitation of landfill sites:		
Balance at the beginning of year	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
<b>Increase in provision due to discounting</b>	-	-
Transfer to current provisions	5 053 000.00	-
Balance at the end of year	<b>5 053 000.00</b>	-

19 OPERATING LEASES

(a) Gestetner Finance

**Gestetner DSM G22 Digital Photocopier - Serial Number J 8341900271**

This represents an operating lease for one Gestetner Digital copier, the minimum lease period is 60 months which expires on 30 November 2009 and the Initial lease rental amounted to 2 166.00. 00 incl VAT pm with 15% escalation per annum

(b) Gestetner Finance (Fintech)

**Gestetner DSM G22 Digital Photocopier - Serial Number K 8554701357**

This represents an operating lease for two Gestetner Digital copier, the minimum lease period is 60 months which expires on 30 November 2010 and the initial lease rental amounted to 2 850 incl VAT pm per with 15% escalation per annum

(c) Automated Office Technology (Pty) Ltd

**Canon Digital Photocopier - Serial Number SVF01052**

This represents an operating lease for one photocopy machine, the lease agreement is for 60 months which expires on 31 March 2012 with 7.5% escalation. The initial rental amounted to R 2 495 pm.

(d) Automated Office Technology (Pty) Ltd

**Canon Telephone System - Serial Number S2JL310989**

This represents an operating leases for telephone system machine, the lease agreement is for 60 months which expires on 30 April 2011 with 7.5% escalation. The initial rental amounted to R 1836.12

All the above operating lease were cancelled during the year

(e) Nashua Zululand

Nashua Photocopier-

This represents an operating lease for one photocopy machine, the lease agreement is for 60 months which expires on 30 April 2015 with 7.5% escalation. The initial rental amounted to R 5 286.96 pm.

Due within 1 year	63 443.52
Due within 2 to 5 years	243 200.16
	<u>306 643.68</u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

20 Employee Benefits

The Municipal employees belong to Natal Joint Municipal Pension Fund and Municipal Council Pension Fund, contributed amounts are paid over to the above mentioned Institutions, the Municipality has no contribution or liability after the Employee has left the Municipality.

20.1 Fruitless & Wasteful Expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	11 458.05
Fruitless and wasteful expenditure current year	5 229 740.27
Condoned or written off by Council	-
Waiting for recovery	<u>5 241 198.32</u>

20.2 Reconciliation of irregular expenditure

Opening balance	7 671 561.00
Irregular expenditure current year	2 506 358.12
Condoned or written off by Council	-
Waiting for recovery	<u>10 177 919.12</u>

21 Unauthorised Expenditure

During the year the municipality incurred expenditure more than what was provided in the approved Budget council, the following department have exceeded their approved budget:-

Description	Budget	Total	Variance
Management department	5 301 056.00	7 624 804.71	(2 323 748.71)
Corporate department	2 286 111.00	2 619 066.98	(332 955.98)
Technical department	2 264 640.00	7 099 531.23	(4 834 891.23)
			<u>(7 491 595.92)</u>

The unauthorised expenditure for the municipality amounted to R 2 656 705.00 for the financial year under audit.

**UMHLABUYALINGANA LOCAL MUNICIPALITY**

**Appendix A**

**Schedule of Extetnal Loans as at 30 June 2010**

<b>External Loans</b>	<b>Loan Number</b>	<b>Redemption Date</b>	<b>Balance at 30/06/2008</b>	<b>Received during the Year</b>	<b>Redeemed /written off during the</b>	<b>Balance at 30/06/200</b>
<b>Long-Term Loans</b>						
<b>Annuity Loans</b>						
N/A						
<b>Government Loans</b>						
N/A						
<b>Lease Liability</b>						
N/A						

**UMHLABUYALINGANA LOCAL MUNICIPALITY**  
**Appendix B**

**Analysis of Property Plant and Equipment as at 30 June 2010**

Description	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
<b>Land and Buildings</b>										
Land	805 992.46	-	-	-	805 992.46	-	-	-	-	805 992.46
Buildings	9 800 759.14	323 760.00	13 309 039.10	-	23 433 558.24	1 947 569.37	322 650.54	-	2 270 219.91	21 163 338.33
	<b>10 606 751.60</b>	<b>323 760.00</b>	<b>13 309 039.10</b>	<b>-</b>	<b>24 239 550.70</b>	<b>1 947 569.37</b>	<b>322 650.54</b>	<b>-</b>	<b>2 270 219.91</b>	<b>21 969 330.79</b>
<b>Infrastructure</b>										
Municipal Roads	18 519 763.21	942 989.93	9 324 213.82	-	28 786 966.96	-	-	-	-	28 786 966.96
Water Supply & Regulation	3 335 364.04	-	-	-	3 335 364.04	-	-	-	-	3 335 364.04
	<b>21 855 127.25</b>	<b>942 989.93</b>	<b>9 324 213.82</b>	<b>-</b>	<b>32 122 331.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32 122 331.00</b>
<b>Community Assets</b>										
Recreation Grounds	15 038 057.00	-	409 251.49	-	15 447 308.49	-	-	-	-	15 447 308.49
	<b>15 038 057.00</b>	<b>-</b>	<b>409 251.49</b>	<b>-</b>	<b>15 447 308.49</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15 447 308.49</b>
<b>Other</b>										
Plant and Equipment	3 306 868.29	94 639.97	-	-	3 401 508.26	1 676 888.57	433 064.39	-	2 109 952.96	1 291 555.30
Vehicles	807 202.82	-	-	-	807 202.82	392 441.86	145 262.97	-	537 704.83	269 497.99
					-				-	-
	<b>4 114 071.11</b>	<b>94 639.97</b>	<b>-</b>	<b>-</b>	<b>4 208 711.08</b>	<b>2 069 330.43</b>	<b>578 327.36</b>	<b>-</b>	<b>2 647 657.79</b>	<b>1 561 053.29</b>
<b>Total</b>	<b>51 614 006.96</b>	<b>1 361 389.90</b>	<b>23 042 504.41</b>	<b>-</b>	<b>76 017 901.27</b>	<b>4 016 899.80</b>	<b>900 977.90</b>	<b>-</b>	<b>4 917 877.70</b>	<b>71 100 023.57</b>

Umhlabuyalingana Local Municipality  
Appendix C  
Segmental Analysis of Property Plant and Equipment as at 30 June 2010

Description	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Technical	21 855 127.25	942 989.93	22 633 252.92	-	45 431 370.10	-	-	-	-	45 431 370.10
Finance and Admin	14 720 822.71	418 399.97			15 139 222.68	4 016 899.80	900 977.90		4 917 877.70	10 221 344.98
Community and Social Servi	15 038 057.00	-	409 251.49	-	15 447 308.49	-	-	-	-	15 447 308.49
<b>Total</b>	<b>51 614 006.96</b>	<b>1 361 389.90</b>	<b>23 042 504.41</b>	<b>-</b>	<b>76 017 901.27</b>	<b>4 016 899.80</b>	<b>900 977.90</b>	<b>-</b>	<b>4 917 877.70</b>	<b>71 100 023.57</b>

**UMHLABUYALINGANA LOCAL MUNICIPALITY**  
**APPENDIX D**  
**DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2010**

Actual Income 2009	Actual expenditure 2009	Surplus / (Deficit) 2009		Actual Income 2010	Actual expenditure 2010	Surplus / (Deficit) 2010
R	R	R		R	R	R
<b>34 048 927.11</b>	<b>30 049 213.08</b>	<b>3 999 714.03</b>	<b>Community Services</b>	<b>54 994 415.91</b>	<b>32 833 421.89</b>	<b>22 160 994.02</b>
-	6 006 547.63	(6 006 547.63)	Executive & Council	-	5 183 841.90	(5 183 841.90)
22 888 115.38	5 748 668.24	17 139 447.14	Management	29 838 445.43	7 441 922.47	22 396 522.96
853 400.37	5 480 544.93	(4 627 144.56)	Finance	1 508 057.92	5 108 849.30	(3 600 791.38)
62 007.03	2 629 559.43	(2 567 552.40)	Corporate Services	-	2 619 067.03	(2 619 067.03)
9 098 060.94	3 640 865.35	5 457 195.59	Technical	21 787 352.06	7 099 530.36	14 687 821.70
67 318.04	588 282.21	(520 964.17)	Library	87 969.74	738 187.85	(650 218.11)
425 960.85	3 889 037.05	(3 463 076.20)	Community Services	1 772 590.76	3 714 702.41	(1 942 111.65)
654 064.50	2 065 708.24	(1 411 643.74)	Local Economic Development	-	927 320.57	(927 320.57)
-	-	-	<b>Subsidised Services</b>	-	-	-
-	-	-	<b>Economic Services</b>	-	-	-
-	-	-	<b>Trading Services</b>	-	-	-
<b>34 048 927.11</b>	<b>30 049 213.08</b>	<b>- 3 999 714.03</b>	<b>Total</b>	<b>54 994 415.91</b>	<b>32 833 421.89</b>	<b>22 160 994.02</b>



UMHLABUYALINGANA MUNICIPALITY

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

REVENUE	2010	Actual	R	2010	Budget	2010	R	2010	Variance	%	Explanation of Significant Variance greater than 10 % versus Budget
Property rates			-								
Service charges			-								
Interest earned		275 486			160 000.00		115 486.00		72.18%		More investment were made during this financial year
Donations received			-		-				0.00%		
Fines, licences and permits		1 293 959			613 000.00		680 959.00		111.09%		Budget was made based on the actuals of last year
Government grants and subsidies		53 197 002			63 386 452.00		-10 189 449.81		-16.08%		These government grant include the unspent grants for prior year
Other revenue		175 005			55 850.00		119 155.00		213.35%		Budget was made based on the actuals of last year
Rental revenue		52 964			26 687.00		26 277.00		98.46%		Budget was made based on the actuals of last year
		<b>54 994 416.19</b>			<b>64 241 989.00</b>		<b>-9 247 572.81</b>		<b>-14.39%</b>		
<b>Expenditure</b>											
Employee related costs		10 337 924			10 813 113.00		-475 189.00		-4.39%		Reduction of overtime resulted to under expenditure
Councillor remunerations		4 468 906			4 523 634.00		-54 728.16		-1.21%		
Depreciation		914 457			500 000.00		-		0		
Repairs and maintenance		5 852 591			708 189.00		5 144 402.02		726%		Provision of rehabilitation of landfill site
Leave encashments		-			516 753.00		-516 753.00		-100%		
Interest paid		-			-		-		0		
Administration and other expenses		11 259 544			10 984 933.00		274 611.00		2.50%		
Loss on the disposal of property, plant and equipment		-			-		-		0		
		<b>32 833 422</b>			<b>28 046 622.00</b>		<b>4 786 799.86</b>		<b>17%</b>		
		<b>22 160 994.33</b>			<b>36 195 367.00</b>		<b>-14 034 372.67</b>		<b>-38.77%</b>		

**UMHLABUYALINGANA LOCAL MUNICIPALITY**

**APPENDIX F : STATISTICAL INFORMATION**

	Valuation Date		Valuation Date	
General Statistics	2010	2009	2010	2009
Population	140964	2001	140964	2001
Registered voters	59054	2006	59054	2006
Surfacing (Km)	3698 m2	0	3698 m2	0
Valuations				
- Taxable (R 000)	0	0	0	0
- Non Taxable (R 000)	0		0	
- Residential Taxable (R 000)	0	0	0	0
- Commercial Taxable (R 000)	0		0	
Valuation date : 1 July 2000	0		0	
Assesment rate	0		0	
- Basis (per rand )	%		%	
- Discount Residential	39		39	

The above statistics information is as per statistics South Africa's register for the year 2001